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SUBJECT: TURKEY: SENATOR LUGAR DISCUSSES GEORGIA AND ENERGY

11. (SBU) Summary. On August 26, Senator Lugar and delegation discussed the situation in Georgia, Caspian energy issues including Nabucco, Turkey's EU accession and other issues with President Gul, Foreign Minister Babacan and Energy Minister Guler. The Senator also hosted a dinner for representatives from BP, Shell, Statoil and other energy experts to discuss similar matters. All interlocutors warmly welcomed Lugar's visit. Gul and Babacan emphasized the shared agenda and common approach the U.S. and Turkey share on key regional issues. Gul and Babacan stated their support for Georgia's unity and territorial integrity. They told Lugar that Nabucco continues to be a top foreign policy priority and that the GOT is working with Azerbaijan, Turkmenistan and Iraq to help secure gas supplies for the project. Gul said skeptics calling Nabucco a "pipe dream" will be proven wrong. Babacan emphasized Turkey's commitment to the EU accession process, which benefits Turkey even if it does not ultimately lead to membership. End summary.

Georgia

12. (SBU) President Gul expressed surprise by the August 26 vote of the Russian Duma supporting Abkazia and South Ossetia independence although added the potential for such an action had long existed. He told Senator Lugar he had spoken twice to Georgian President Saakashvili about this issue and expressed his strong support for maintaining Georgia's territorial integrity. Lugar expressed gratitude to the President and FM for Turkey's humanitarian assistance to Georgia. Energy Minister Guler speculated that the situation in Georgia may force the EU to make critical decisions about its future energy supply. Guler added that U.S. decisions will be equally important for the development of the Caspian energy corridor.

13. (U) In his press availability at the Foreign Ministry and in a television interview, Senator Lugar said he appreciated Turkey's leadership in Iraq and Afghanistan and in providing humanitarian aid to Georgia. He described as unhelpful Russia's recognition of Abkhaz and South Ossetian independence and underscored the U.S. commitment to Georgia's territorial integrity. Asked about Turkey's "Caucasus Stability and Cooperation Platform" concept, he said he reserved judgment and noted that the U.S. had not been consulted before its announcement. He suggested further discussion of the idea be postponed until Russia has withdrawn its troops to the status quo ante

## Nabucco a Top Priority

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¶4. (SBU) Gul and Babacan said enhancing the energy security of Turkey and its European allies is a key policy goal. Turkey has consequently given priority to the Nabucco project to diversify and increase gas supply to both Turkey and Europe. Gul bemoaned rumors in some EU circles that Turkey has "lost interest" in Nabucco and asked Lugar to convey to European interlocutors Turkey's commitment to the project. (Note: Lugar will travel to Bucharest, Budapest, Berlin and Brussels.) Guler echoed Gul's sentiments on Turkish support for Nabucco and suggested slow progress could be attributed to European attention to "other projects" (comment: a likely allusion to South Stream).

## Caspian and Iraq Gas Needed for Nabucco

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¶5. (SBU) Gul said developing new gas resources is key to Nabucco's success. Turkey has spent considerable effort discussing this with Azerbaijan, Turkmenistan, and other Central Asian countries. Turkey has worked hard to help build confidence between Turkmenistan and Azerbaijan and Gul claimed credit for the May 19 visit of Turkmen President Berdimuhamedov to Baku. Guler said he would visit Baku, Ashgabat and Astana in the next few weeks to continue the dialogue. Lugar praised in each of his meetings Turkey's leadership and cooperation with

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Azerbaijan on BTC. He said that he used a recent meeting with Azerbaijan President Aliyev to urge patience in finding a solution to meet the needs of both Turkey and Europe.

¶6. (SBU) Gul and Guler noted Iraq as a potentially important source of gas for Nabucco. PM Erdogan's recent visit to Iraq focused on energy issues and Gul hoped there would soon be another US-Turkey-Iraq trilateral working group on natural gas. Gul hoped the improvement in security in Iraq would lead to progress on energy issues. Gul underscored the need for passage of an Iraqi hydrocarbon law and Guler called for USG assistance in expediting its passage.

¶7. (SBU) Lugar expressed appreciation for Turkey's continued leadership on energy issues. Lugar praised BTC but also noted that its security remains a concern. Lugar asked Gul to speak more openly and frankly with Azerbaijan President Aliyev. He added that Aliyev, in a recent conversation, said that Turkey wanted to buy such large volumes of Shah Deniz Phase II gas that Azerbaijan's ambitions to sell gas to Europe could be dashed. Lugar said Aliyev told him that without a route to Europe, Aliyev would consider selling gas to Russia.

## Private Sector Views on Energy

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¶8. (SBU) Representatives from BP, Shell, Statoil and other energy experts discussed the policy and commercial dilemmas created by competition between Turkey's growing energy needs and its desire to be a gas transit hub to Europe. These experts said the key to improved Turkish and European energy security is developing new gas sources. All agreed that Nabucco partners, the EU and the US should intensify efforts to make deals with Turkmenistan and Iraq. Participants unanimously see Iraq as a short to medium term solution due to its huge reserves and lack of Russian political influence. While acknowledging current U.S. policy toward Iran, one expert argued that Turkey and Europe

can not afford to overlook Iranian resources, the second largest gas reserves in the world. Another expert quipped that negotiations with Iran are impossible, even without U.S. opposition and international sanctions. On Georgia, some noted that, since the Russian invasion, the risk premium and therefore cost of building a new pipeline transiting Georgia will be greater, but no one saw this as the key determining factor as to whether the pipeline goes forward.

#### Renewable Energy and Conservation

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¶9. (SBU) Guler said Turkey has set a goal of reducing by half its natural gas consumption by substituting solar, wind, and nuclear power and implementing energy efficiency and energy conservation programs. Guler accused "some countries" of using natural gas as a political weapon and likened this to a military threat. For Turkey, which currently generates half its electricity with natural gas and imports almost 100% of its gas, this is a dangerous situation. Guler said he welcomes U.S. investment in further developing Turkey's renewable sector and specifically called for cooperation and technology sharing on solar energy which he believes holds huge potential in Turkey. Additionally, Guler said Turkey could benefit from U.S. experience in nuclear power and expressed his hope that an American firm would bid for the September 24 tender to build Turkey's first nuclear power plant. Lugar welcomed the opportunity to share experience and deepen cooperation on these issues, and re-emphasized the point with FM Babacan.

#### EU Accession

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¶10. (SBU) FM Babacan told the Senator the Turkish economy has been aided by the EU accession process and the predictability it affords. Turkey is institutionalizing its democracy through this process, improving itself in areas such as food safety and environment. Turkey is not

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desperate for EU accession. When the process is complete, it believes EU members will see Turkey as an asset, but Turkey will have achieved Western standards either way. Babacan mused that five years ago, European concerns were that Turkey was too poor. Then he heard that Turkey was culturally too different. The fear in Europe now is that Turkey will be "too influential." If Europeans want Europe to be a relevant, global power, they will admit Turkey. Lugar expressed U.S. support for Turkey's EU accession process and said he would convey Babacan's vision and commitment to the EU process during his upcoming meetings in Brussels.

#### The Global Food Crisis

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¶11. (SBU) Senator Lugar discussed with FM Babacan the global food crisis and the need for innovation to address these issues. He cited "GMO" seeds and noted how his own farm's productivity has grown three-fold, due to advanced farming techniques, since his father's generation. The Senator bemoaned trade barriers being erected around the world to secure national food supplies and suggested that the U.S. and Turkey could cooperate on promoting sound food policies. Babacan said Turkey needs to improve its agricultural productivity and welcomed the opportunity to partner with the U.S. on agricultural issues.

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